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May 4, 2012

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
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From: William T Fujioka
Chief Executive Officer 

SACRAMENTO UPDATE

This memorandum contains pursuits of County position on legislation related to the extension of existing tax credits for motion picture production, and reimbursement for uncompensated medical care for persons injured by a third party; updates on County-advocacy legislation regarding: 1) the extension of the sunset date for Laura's Law; 2) employee relations commissions; 3) electronic filing of the Statement of Economic Interests Form 700; 4) immunization requirements for school-aged children; 5) local ombudsman programs; 6) claims for death benefits; and 7) access to child welfare services information; and a report on budget hearings on the Governor's FY 2012-13 Proposed Budget.

Pursuit of County Position on Legislation

AB 2026 (Fuentes), which as introduced on February 23, 2012, would extend for five years the requirement that the California Film Commission (CFC) annually allocate tax credits to qualifying motion pictures through FY 2019-20.

Specifically, AB 2026 would extend: 1) the requirement that the CFC annually issue \$100.0 million in tax credits to qualifying motion picture productions, as specified, through FY 2019-20; and 2) the limitation on the aggregate amount of credits that may be allocated through FY 2019-20.

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Existing law establishes a motion picture production tax credit, equal to either: 1) 20.0 percent of the qualified expenditures attributable to the production of a qualified motion picture in California; or 2) 25.0 percent of the qualified expenditures attributable to the production of a qualified motion picture that is a television series that relocated to California or an independent film. A qualified motion picture is defined to mean a motion picture that is produced for general distribution to the public and includes feature films with budgets between \$1.0 million and \$75.0 million; a movie of the week with a minimum budget of \$500,000; a new television series with a minimum production budget of \$1.0 million; and an independent film. Current law defines an independent film as a motion picture with a budget between \$1.0 million and \$10.0 million that is produced by a non-publicly traded company and publicly traded companies that do not own more than 25.0 percent of the producing company.

The California Film Commission administers the motion picture production tax credit and certification program to qualified taxpayers each year from FY 2009-10 through FY 2014-15, on a first-come, first-served basis with 10.0 percent of the allocation reserved for independent films. Taxpayers first apply to the CFC for a credit allocation based on the estimated project budget and upon receiving an allocation the project must be completed within 30 months. The taxpayer must provide the CFC with verification of completion and documentation of actual qualifying expenditures. The CFC issues credit certificates up to the amount of the original allocation. Unallocated amounts and any allocation amounts in excess of certified credits may be carried over and reallocated by the CFC.

According to the author of AB 2026, California suffered both job and financial losses as hundreds of productions have left the State to seek incentives offered elsewhere, a phenomenon commonly referred to run-away production. In addition to the international competition, over 40 states offer meaningful financial incentives to the film industry successfully luring production and post-production jobs away from California. In 2009, the California Film and Television Tax Credit Program was enacted as part of a targeted economic stimulus package to increase production spending, jobs and tax revenues in California. The author indicates that AB 2026, in seeking a five-year extension, acknowledges that the program has been successful in its goal to retain and increase film and television production occurring in California.

The Department of Beaches and Harbors (DBH) indicates that a film permit must be obtained through Film L.A. Inc., for filming in Marina del Rey, County beaches and use of County parking lots. Film L.A. is a private, not-for-profit organization that provides one-stop permit coordination services for on-location motion picture, television and commercial production in the unincorporated areas of the County and is funded primarily by permit coordination fees paid by production companies. Film fees are

determined by the extent of filming activities, which may require additional personnel fees from other departments or agencies whose approvals and involvement are needed. Parking fees associated with a film permit vary based on the amount of space provided. DBH staff, in coordination with its parking contractor, enforces film permits in Marina del Rey and at County beaches. In 2011, DBH collected approximately \$150,000 in film fees as County General Fund revenues. According to DBH, the impact of AB 2026 cannot be readily quantified.

The Department of Beaches and Harbors and this office support AB 2026. Therefore, consistent with existing Board-approved policy to support measures that promote economic incentives as a means of creation, attraction, and retention of business, **the Sacramento advocates will support AB 2026.**

Support of AB 2026 is also consistent with your Board action to support AB 2747 of 2002, which would have provided a wage-based tax credit for film, television and commercial production companies that keep at least 50.0 percent of production in California; and AB 358 of 1999, which would have created incentives for film makers to shoot in California by providing variations of a 10.0 percent tax credit of wages or labor contract.

AB 2026 is supported by the California Chamber of Commerce, California Labor Federation, California Taxpayers Association, California Teamsters Public Affairs Council, Film Liaisons in California Statewide, Los Angeles Area Chamber of Commerce, Motion Picture Association of America, Paramount Pictures, and Valley Industry and Commerce Association. It is opposed by the American Heart Association.

AB 2026 passed the Assembly Arts, Entertainment, Sports, Tourism, and Internet Media Committee by a vote of 8 to 0 on April 17, 2012. This measure is scheduled for a hearing in the Assembly Revenue and Taxation Committee on May 14, 2012.

SB 1528 (Steinberg), which as amended April 30, 2012, states the intent of the Legislature to develop a mechanism to provide reimbursement for the uncompensated care for persons, including Medi-Cal patients, who were injured by a third party.

Existing law permits a county to assert a lien for health care costs incurred in treating patients who were injured by third parties when the patient receives a monetary award as a result of a judgment. Counties are limited to payments at prevailing Medi-Cal rates, even though the actual cost for treatment often exceeds the amount reimbursed.

Each Supervisor
May 4, 2012
Page 4

According to the author and sponsor of SB 1528, the Consumer Attorneys of California, this measure is intended to help counties recover a greater portion of the treatment costs provided to Medi-Cal patients who receive a monetary award for an injury caused by a third party.

The Department of Health Services and this office recommend a support-in-concept position on SB 1528 until the bill is amended to include specific provisions regarding reimbursements to counties for the treatment of patients injured by a third party. Therefore, consistent with existing Board policy to support legislation to permit counties to assert and collect on liens for health care costs of patients who receive a monetary award from a lawsuit settlement, **the Sacramento advocates will take a support-in-concept position on SB 1528.**

Support of SB 1528 is consistent with similar bills including County-supported SB 494 (Escutia) of 2004 and SB 399 (Escutia) of 2005. These measures were vetoed by Governor Schwarzenegger who stated that they would inflate medical and settlement costs.

SB 1528 is sponsored by the Consumer Attorneys of California. There is no registered opposition on file.

This measure is scheduled for a hearing in the Senate Judiciary Committee on May 8, 2012.

Status of County-Advocacy Legislation

County-support and amend AB 1569 (Allen), which as amended on April 16, 2012, would extend the sunset date on Laura's Law to January 1, 2017, passed the Assembly Floor by a vote of 65 to 3 on May 3, 2012. This measure now proceeds to the Senate.

County-opposed AB 1659 (Butler), which as introduced on February 14, 2012, would require employee relations commissions for the County of Los Angeles and the City of Los Angeles to be independent of County and City management, passed the Assembly Public Employees, Retirement and Social Security Committee by a vote of 4 to 2 on May 2, 2012. This measure now proceeds to the Assembly Floor.

County-supported AB 2062 (Davis), which as introduced on February 23, 2012, would permit filers of the Statement of Economic Interests Form 700 to submit the statements electronically, was placed on the Assembly Appropriations Committee suspense file on May 2, 2012.

County-supported AB 2109 (Pan), which as amended on April 23, 2012, would change the process which allows parents of school-aged children to claim a Personal Belief Exemption from immunization requirements for entry to childcare and school, passed the Assembly Appropriation Committee by a vote of 12 to 5 on May 2, 2012. This measure now proceeds to the Assembly Floor.

County-supported AB 2276 (Campos), which as amended on April 17, 2012, would appropriate \$1.6 million for FY 2012-13 and \$1.6 million for FY 2013-14 from the State Health Facilities Citation Penalties Account to the California Department of Aging for use in funding local ombudsman programs, was placed on the Assembly Appropriations Committee suspense file on May 2, 2012.

County-opposed AB 2451 (J. Pérez), which as amended on April 19, 2012, would extend the statute of limitations on filing a claim for death benefits for a firefighter or peace officer who dies of a presumptive work-related illness, passed the Assembly Insurance Committee by an 11 to 0 vote on May 2, 2012. This measure now proceeds to the Assembly Floor.

County-supported SB 1279 (Wolk), which as amended on April 9, 2012 would, among other provisions, establish legislative intent to authorize the California Department of Social Services to obtain access to designated information held by other State agencies relating to the outcomes for children and youth in the child welfare system, was placed on the Senate Appropriations Committee suspense file on April 30, 2012.

State Budget Hearings

Medi-Cal Managed Care Default Enrollment. The Governor's FY 2012-13 Budget proposes to change how it selects a default managed care plan when a Medi-Cal enrollee does not select a plan. The current mechanism defaults beneficiaries into a managed care based on plan quality and safety net population factors. Under the proposal, the default mechanism would be adjusted to increase patient defaults to low-cost managed care plans by 5.0 percent. The Administration estimates that this proposal would result in estimated State General Fund savings of \$2.4 million in FY 2012-13 and \$5.8 million in FY 2013-14 based on the shift of beneficiaries from higher to lower cost plans. This item was heard in the Senate Budget Subcommittee No. 3 on Health and Human Services on April 26, 2012, and in the Assembly Budget Subcommittee No. 1 on Health and Health Services on April 30, 2012; however, both subcommittees held this item open.

Each Supervisor
May 4, 2012
Page 6

Health and Human Services Realignment. On May 2, 2012, the Assembly Budget Subcommittee No. 1 on Health and Human Services convened a hearing which included a discussion of the recently released proposed budget trailer bills impacting programs realigned to counties, including Mental Health, Alcohol and Drug Programs, Child Welfare Services, Foster Care, and Adoptions, among other programs.

No action was taken and all realignment issues were held open. Stakeholders and legislative staff will continue to work with the Administration on the realignment trailer bill language over the coming weeks and that language will be discussed further in upcoming May Revision budget subcommittee hearings.

We will continue to keep you advised.

WTF:RA
MR:VE:IGEA:sb

c: All Department Heads
Legislative Strategist
Local 721
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants